

Financial Statements

**HAROLD W. McMILLEN CENTER FOR HEALTH EDUCATION, INC.**

*Years ended June 30, 2022 and 2021  
with of Independent Auditor's Report*

Harold W. McMillen Center for Health Education, Inc.

Financial Statements

Years ended June 30, 2022 and 2021

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## Independent Auditor's Report

The Board of Directors  
Harold W. McMillen Center  
for Health Education, Inc.

### **Opinion**

We have audited the accompanying financial statements of the Harold W. McMillen Center for Health Education, Inc. (McMillen Health), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McMillen Health as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McMillen Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McMillen Health's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance

with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of McMillen Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McMillen Health's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Haines, Asenbarger & Skiba, LLC*

Fort Wayne, Indiana

August 2, 2022

Harold W. McMillen Center for Health Education, Inc.

Statements of Financial Position

	June 30	
	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 881,432	\$ 774,508
Receivables:		
Pledges receivable	6,050	4,775
Admission fees and other receivables	164,401	73,806
Accrued interest receivable	1,457	1,628
	<u>171,908</u>	<u>80,209</u>
Inventory	91,214	119,121
Prepaid expenses and other current assets	25,356	17,271
Total current assets	<u>1,169,910</u>	<u>991,109</u>
Investments	2,039,141	2,311,741
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	88,460	95,556
Land, building, exhibits, and equipment:		
Land	94,253	94,253
Building and improvements	2,338,222	2,303,028
Exhibits and equipment	1,373,675	1,274,645
Software in progress	-	42,500
	<u>3,806,150</u>	<u>3,714,426</u>
Less accumulated depreciation	<u>3,058,859</u>	<u>2,975,574</u>
	<u>747,291</u>	<u>738,852</u>
Total assets	<u>\$ 4,044,802</u>	<u>\$ 4,137,258</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 20,564	\$ 8,955
Accrued expenses	56,233	40,921
Refundable advances	184,028	143,132
Total current liabilities	<u>260,825</u>	<u>193,008</u>
Net assets:		
Without donor restrictions	2,186,223	2,377,038
With donor restrictions	1,597,754	1,567,212
Total net assets	<u>3,783,977</u>	<u>3,944,250</u>
Total liabilities and net assets	<u>\$ 4,044,802</u>	<u>\$ 4,137,258</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Activities and Changes in Net Assets

	<b>Year ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Changes in net assets without donor restrictions</b>		
Support, revenues, and gains (losses):		
Contributions	\$ 437,073	\$ 743,737
Government grants	454,545	316,067
Contract revenue	255,548	119,331
Contributed services and materials	620	1,597
Admission fees	150,226	125,423
Merchandise sales, net of cost	90,371	77,736
Net investment return (loss)	(187,483)	471,529
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(7,096)	26,374
Special events, net	33,414	22,425
Other	2,122	806
	<u>1,229,340</u>	<u>1,905,025</u>
Net assets released from restrictions	154,658	85,062
Total support, revenues, and gains (losses)	<u>1,383,998</u>	<u>1,990,087</u>
Expenses:		
Program services—health education	1,112,239	852,845
Supporting services:		
Management and general	312,029	276,499
Fundraising and development	150,545	64,320
Total expenses	<u>1,574,813</u>	<u>1,193,664</u>
Increase (decrease) in net assets without donor restrictions	<u>(190,815)</u>	796,423
<b>Changes in net assets with donor restrictions</b>		
Contributions	185,200	116,573
Net assets released from restrictions	(154,658)	(85,062)
Increase in net assets with donor restrictions	<u>30,542</u>	<u>31,511</u>
Increase (decrease) in net assets	<u>(160,273)</u>	827,934
Net assets at beginning of year	<u>3,944,250</u>	<u>3,116,316</u>
Net assets at end of year	<u><u>\$ 3,783,977</u></u>	<u><u>\$ 3,944,250</u></u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Functional Expenses

Year ended June 30, 2022

	<b>Program Services Health Education</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
		<b>Management and General</b>	<b>Fundraising and Development</b>	
Salaries, wages, and benefits	\$ 757,828	\$ 264,755	\$123,710	\$ 1,146,293
Computer expense	31,766	7,403	2,851	42,020
Cost of merchandise sold	90,324	-	-	90,324
Insurance	6,432	3,359	201	9,992
Office supplies and expense	21,977	1,670	994	24,641
Operating supplies and expense	154,752	3,400	4,559	162,711
Professional fees	2,596	14,334	426	17,356
Public relations	6,465	3,579	3,720	13,764
Repairs and maintenance	39,184	317	950	40,451
Special events direct benefits	-	-	25,088	25,088
Telephone	733	215	86	1,034
Training	1,292	663	31	1,986
Travel	3,928	2,883	1,215	8,026
Utilities	15,326	5,287	2,640	23,253
Total expenses before depreciation	<u>1,132,603</u>	<u>307,865</u>	<u>166,471</u>	<u>1,606,939</u>
Depreciation	69,960	4,164	9,162	83,286
Total expenses	<u>1,202,563</u>	<u>312,029</u>	<u>175,633</u>	<u>1,690,225</u>
Less cost of sales	(90,324)	-	-	(90,324)
Less special events direct benefits	-	-	(25,088)	(25,088)
Total expenses reflected on the statements of activities and changes in net assets	<u>\$ 1,112,239</u>	<u>\$ 312,029</u>	<u>\$150,545</u>	<u>\$ 1,574,813</u>

See accompanying notes.

Harold W. McMillen Center for Health Education, Inc.

Statements of Functional Expenses

Year ended June 30, 2021

	<b>Program Services Health Education</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
		<b>Management and General</b>	<b>Fundraising and Development</b>	
Salaries, wages, and benefits	\$ 596,429	\$ 230,964	\$ 44,868	\$ 872,261
Computer expense	41,045	8,916	1,277	51,238
Cost of merchandise sold	60,763	-	-	60,763
Insurance	6,362	3,091	199	9,652
Office supplies and expense	9,494	1,273	686	11,453
Operating supplies and expense	77,607	2,601	3,232	83,440
Professional fees	3,508	17,393	575	21,476
Public relations	2,828	1,565	1,602	5,995
Repairs and maintenance	20,018	153	457	20,628
Special events direct benefits	-	-	7,206	7,206
Telephone	740	218	87	1,045
Training	4,511	571	104	5,186
Travel	537	107	88	732
Utilities	12,811	5,066	1,068	18,945
Total expenses before depreciation	836,653	271,918	61,449	1,170,020
Depreciation	76,955	4,581	10,077	91,613
Total expenses	913,608	276,499	71,526	1,261,633
Less cost of sales	(60,763)	-	-	(60,763)
Less special events direct benefits	-	-	(7,206)	(7,206)
Total expenses reflected on the statements of activities and changes in net assets	\$ 852,845	\$ 276,499	\$ 64,320	\$ 1,193,664

See accompanying notes.



Harold W. McMillen Center for Health Education, Inc.

Statements of Cash Flows

	<b>Year ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ (160,273)	\$ 827,934
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	83,286	91,613
Realized and unrealized (gain) loss on investments, net	242,301	(436,307)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	7,096	(26,374)
Changes in operating assets and liabilities:		
Pledges receivables	(1,275)	(4,775)
Admissions fees and other receivables	(90,595)	(11,910)
Accrued interest receivable	171	(156)
Inventory	27,907	(35,365)
Prepaid expenses and other current assets	(8,085)	(166)
Accounts payable	11,609	(753)
Accrued expenses	15,312	1,620
Refundable advances	40,896	(169,170)
Cash provided by operating activities	<b>168,350</b>	236,191
<b>Investing activities</b>		
Additions to land, building, exhibits, and equipment	(91,725)	(91,922)
Purchases of investments	(891,434)	(1,003,254)
Proceeds from sale and maturities of investments	921,733	1,047,487
Cash used in investing activities	<b>(61,426)</b>	(47,689)
Increase in cash and cash equivalents	<b>106,924</b>	188,502
Cash and cash equivalents at beginning of year	<b>774,508</b>	586,006
Cash and cash equivalents at end of year	<b>\$ 881,432</b>	<b>\$ 774,508</b>

See accompanying notes.

# Harold W. McMillen Center for Health Education, Inc.

## Notes to Financial Statements

June 30, 2022

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

The mission of the Harold W. McMillen Center for Health Education, Inc. (McMillen Health), doing business as McMillen Health, is:

*to provide vital, effective preventive health education that promotes physical, emotional, and social well-being.*

Founded in 1981, McMillen Health opened as the second independently operated health education center in the nation. McMillen Health's focus was health education for children, particularly drug abuse prevention, general health, reproductive health, nutrition, and fitness. Today, McMillen Health is recognized as the oldest independently operated health education center in the United States and one of only four left in the nation. To remain sustainable, our focus has expanded to now offer more preventive health education programs, curricula development, media design, and video production.

McMillen Health currently offers more than 250 preventive health education programs, reaching more than 90,000 students annually. Programs include Preschool Dental, Child Sexual Abuse Prevention, General Health, Nutrition and Fitness, Drug/Alcohol/Tobacco Prevention, Bullying Prevention, Teen Suicide Prevention, Teen Dating Violence Prevention, Teen Pregnancy Prevention, Disease Prevention (including COVID-19), Reproductive Health, Social and Emotional Health/Mental Health programs for students with special needs, professional development for adults serving youth, and programs for aging adults.

To best meet the needs of those we serve, McMillen Health offers programming at our facility on the Southeast side of Fort Wayne, via Outreach where health educators travel up to 150 miles from our center, via live distance learning where our professional health educators can connect with up to 400 students in the classroom and/or at home, and via E-Learning.

McMillen Health is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and qualifies for the 60 percent charitable contribution deduction. McMillen Health has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. McMillen Health is also exempt from state income taxes.

However, McMillen Health is subject to federal income tax on any unrelated business taxable income. McMillen Health provides liabilities for uncertain income tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions taken or expected to be taken and as such, does not have any uncertain tax positions

## Harold W. McMillen Center for Health Education, Inc.

### Notes to Financial Statements (continued)

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Organization (continued)**

that should be recognized, measured, or disclosed in the financial statements. Management believes McMillen Health is no longer subject to examination by taxing authorities for years before June 30, 2019.

##### **Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents with the exception of money market funds. McMillen Health maintains cash accounts at a local bank. At various times during the year, cash accounts exceeded federally insured limits.

##### **Inventory**

Inventory consists of books and other products and is priced at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

##### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, McMillen Health's investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investments expenses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 4* for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income from securities is recorded as earned on an accrual basis. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Land, Building, Exhibits, and Equipment**

Land, building, exhibits, and equipment are stated at cost or if donated, at fair market value at the date of donation, except for land, building, exhibits, and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of June 30, 2022 or 2021.

Items with a cost of \$1,500 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	7 – 40 years
Exhibits and equipment	5 – 10 years

Expenses for normal repairs and maintenance are expensed as incurred.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. If a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statements of activities and changes in net assets.

## Harold W. McMillen Center for Health Education, Inc.

### Notes to Financial Statements (continued)

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Risks and Uncertainties**

McMillen Health's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry, or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments may occur in the near term and that such changes could materially affect account balances.

##### **Revenue**

McMillen Health recognizes revenue upon admission and contractual delivery of health education services and instruction or completion of a special event. Accordingly, funds received for admissions or special events related to future periods are recorded as deferred revenue. Special events included the Tee Off with TAM Golf Outing.

Revenue from merchandise sales, primarily dental care books and digital videos, is recognized when the product is shipped to the customer and is recorded net of customer returns and discounts. Cost of sales for the year ended June 30, 2022 and 2021 were \$90,324 and \$60,763, respectively.

McMillen Health grants credit to the users of its services, which are primarily schools in the northeastern Indiana area. McMillen Health performs ongoing credit evaluations, provides an allowance for uncollectible receivables, if necessary, and writes off uncollectible amounts as they become known.

##### **Contributions and Pledges Receivable**

McMillen Health received contributions which require it to complete specified numbers of sessions of various programs that it considers conditional promises to give. McMillen Health also receives contributions conditional upon the sale of certain Brush! dental health education materials. During the year ended June 30, 2022 conditional promises to give for specified numbers of session and Brush! dental health education materials were \$649,759, and McMillen Health recognized contribution revenue of \$140,362. McMillen Health received a Paycheck Protection Program loan from the Small Business Administration (SBA) during the year ended June 30, 2020 and accounted for it as a conditional contribution. Accordingly, McMillen Health recorded a refundable advance of \$120,000 for the forgivable loan as of June 30, 2020. On November 23, 2020, McMillen Health received notification from the SBA approving the forgiveness of the loan, and revenue was recognized as a government grant during the year ended June 30, 2021.

# Harold W. McMillen Center for Health Education, Inc.

## Notes to Financial Statements (continued)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Contributions and Pledges Receivable (continued)**

Contributions of assets other than cash are recorded at their fair market value.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. During the year ended June 30, 2022 and 2021, the value of contributed services and materials recognized as revenue in the accompanying statements of activities and changes in net assets was \$620 and \$1,597, respectively.

Unconditional promises or pledges are recorded at net realizable value. McMillen Health provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of June 30, 2022 and 2021, no allowance for uncollectible pledges was deemed necessary.

#### **Government Grants**

Government grants are recognized as McMillen Health performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The government grants originated from the Indiana State Department of Health.

#### **Financial Instruments**

Financial instruments consist of cash, cash equivalents, receivables, investments, accounts payable, and accrued expenses. The carrying amounts reported in the statements of financial position for cash and cash equivalents, pledges receivable, admission fees and other receivables, accrued interest receivable, accounts payable, and accrued expenses approximate their fair value. Management's estimate of the fair value of investments is as previously described and is in *Notes 4 and 5* to the financial statements.

#### **Use of Estimates**

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Functional Expenses**

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

**Reclassifications**

Certain amounts for the year ended June 30, 2021 have been reclassified to conform with the presentation for the year ended June 30, 2022.

**2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 881,432	\$ 774,508
Receivables	171,908	80,209
Investments	2,039,141	2,311,741
Financial assets at end of year	3,092,481	3,166,458
Less donor-imposed restrictions for endowments making financial assets unavailable for general expenditure	(1,493,322)	(1,493,322)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,599,159</u>	<u>\$ 1,673,136</u>

## Harold W. McMillen Center for Health Education, Inc.

### Notes to Financial Statements (continued)

#### **2. Liquidity and Availability (continued)**

McMillen Health's endowment funds consist of donor-restricted and board-designated endowments. While donor-restricted endowment funds are not available for general expenditure, the income from these donor-restricted endowments is available for operating purposes. Other than the annual distribution of endowment net assets for expenditures, the Board of Directors does not intend to use the board designated endowment funds for general operating expenditures; however, it has the ability to do so.

McMillen Health has adopted a prudent approach to spending and reinvestment that requires using a spending formula to provide protection against inflation over time. The actual distribution amount is determined by recommendation from the Finance Committee and staff to the full Board of Directors.

McMillen Health receives contributions each year from donors which are available to help meet its cash needs for general expenditures.

As part of its liquidity management plan, McMillen Health has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. It invests cash in excess of daily requirements in short-term investments, including savings accounts.

#### **3. Pledges Receivable**

Unconditional promises to give to McMillen Health are recorded as pledges receivable at the present value of expected future cash flows. At June 30, 2022 and 2021, McMillen Health had pledges receivable due in one year of \$6,050 and \$4,775, respectively.

#### **4. Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:



Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**4. Fair Value Measurements (continued)**

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that McMillen Health has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

*Money market fund:* The money market fund is valued at a quoted market price in an exchange and active market, which represent the net asset values of shares held by McMillen Health at year-end.

*Common stock:* Valued at closing price reported on the active market on which the individual securities are traded.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**4. Fair Value Measurements (continued)**

*Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by McMillen Health are open-end funds that are registered with the Securities and Exchange Commission. Exchange traded funds are open-end funds that can be bought and sold throughout the day on a stock exchange. Mutual funds are required to publish their daily net asset value and to transact at that price. The mutual funds and exchange traded funds held by McMillen Health are deemed to be actively traded.

*Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.:* Valued at the fair market value of the underlying investments, as reported by the Community Foundation of Greater Fort Wayne Inc. at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while McMillen Health believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**4. Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, McMillen Health's assets at fair value as of June 30, 2022 and 2021:

	Assets at Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Money market fund</b>	\$ 21,725	\$ -	\$ -	\$ 21,725
<b>Common stock</b>				
Consumer discretionary	18,153	-	-	18,153
Consumer staples	36,828	-	-	36,828
Energy	17,865	-	-	17,865
Financial	42,377	-	-	42,377
Healthcare	87,223	-	-	87,223
Industrials	43,711	-	-	43,711
Information technology	97,568	-	-	97,568
Materials	15,508	-	-	15,508
Real estate	12,689	-	-	12,689
Telecommunication services	28,929	-	-	28,929
Utilities	8,655	-	-	8,655
	<b>409,506</b>	<b>-</b>	<b>-</b>	<b>409,506</b>
<b>Mutual funds and exchange traded funds</b>				
Equity funds:				
Large cap value	38,985	-	-	38,985
Large blend	259,126	-	-	259,126
Mid cap growth	64,743	-	-	64,743
Mid cap value	33,298	-	-	33,298
Small cap blend	39,592	-	-	39,592
Diversified emerging markets	39,226	-	-	39,226
Diversified—international	134,708	-	-	134,708
Real estate	56,113	-	-	56,113
Energy limited partnerships	87,844	-	-	87,844
Fixed income funds:				
Long-term bond	87,773	-	-	87,773
Short-term bond	592,284	-	-	592,284
World bond	29,780	-	-	29,780
Emerging markets bond	7,717	-	-	7,717
Bank loan	82,185	-	-	82,185
Nontraditional bond	54,536	-	-	54,536
	<b>1,607,910</b>	<b>-</b>	<b>-</b>	<b>1,607,910</b>
<b>Funds held by the Community</b>				
Foundation of Greater Fort Wayne Inc.	-	88,460	-	88,460
Total assets at fair value	<b>\$ 2,039,141</b>	<b>\$ 88,460</b>	<b>\$ -</b>	<b>\$ 2,127,601</b>

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

	Assets at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
<b>Money market fund</b>	\$ 14,255	\$ -	\$ -	\$ 14,255
<b>Common stock</b>				
Consumer discretionary	49,390	-	-	49,390
Consumer staples	49,905	-	-	49,905
Energy	13,549	-	-	13,549
Financial	63,627	-	-	63,627
Healthcare	88,562	-	-	88,562
Industrials	52,253	-	-	52,253
Information technology	145,159	-	-	145,159
Materials	16,928	-	-	16,928
Real estate	14,182	-	-	14,182
Telecommunication services	62,927	-	-	62,927
Utilities	17,052	-	-	17,052
	573,534	-	-	573,534
<b>Mutual funds and exchange traded funds</b>				
Equity funds:				
Large cap value	38,428	-	-	38,428
Large blend	277,298	-	-	277,298
Mid cap growth	91,796	-	-	91,796
Mid cap value	39,282	-	-	39,282
Small cap blend	49,216	-	-	49,216
Diversified emerging markets	59,734	-	-	59,734
Diversified—international	188,920	-	-	188,920
Real estate	62,868	-	-	62,868
Energy limited partnerships	83,764	-	-	83,764
Fixed income funds:				
Long-term bond	99,090	-	-	99,090
Short-term bond	543,263	-	-	543,263
World bond	32,076	-	-	32,076
Emerging markets bond	10,088	-	-	10,088
Bank loan	88,417	-	-	88,417
Nontraditional bond	59,712	-	-	59,712
	1,723,952	-	-	1,723,952
<b>Funds held by the Community</b>				
Foundation of Greater Fort Wayne Inc.	-	95,556	-	95,556
Total assets at fair value	\$ 2,311,741	\$ 95,556	\$ -	\$ 2,407,297

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**5. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc.**

The beneficial interest in the funds held by the Community Foundation of Greater Fort Wayne Inc. (Foundation) are the result of an agreement whereby McMillen Health has transferred assets to the Foundation and has specified itself as the beneficiary of the assets. McMillen Health may draw up to a certain percent of the value of the assets each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of \$20,588 and \$21,783 at June 30, 2022 and 2021, respectively, for the benefit of McMillen Health. McMillen Health is precluded from recognizing these assets held by the Foundation because of the explicitly granted variance power held by the Foundation. Accordingly, McMillen Health only recognizes its annual grants by the Foundation from these funds as contributions.

**6. Net Investment Return**

The composition of investment return recognized in the statements of activities and changes in net assets are as follows:

	<b>Year ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Investment income:		
Interest and dividends	\$ 66,382	\$ 45,445
Interest on cash equivalents	86	302
Net realized gain on investments	81,800	176,243
Net unrealized gain (loss) on investments	(324,101)	260,064
	<b>(175,833)</b>	482,054
Investment expenses	<b>(11,650)</b>	(10,525)
Net investment return (loss)	<b>\$ (187,483)</b>	\$ 471,529

## Harold W. McMillen Center for Health Education, Inc.

### Notes to Financial Statements (continued)

#### 7. Endowment

ASC 958, *Not-for-Profit Entities*, required certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

McMillen Health's endowment (Endowment) consists of several individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors of McMillen Health has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, McMillen Health retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. McMillen Health considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of McMillen Health and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of McMillen Health.
- The investment policies of McMillen Health.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**7. Endowment (continued)**

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
McMillen Foundation	\$ -	\$ 1,010,986	\$ 1,010,986
Other	-	482,336	482,336
	-	1,493,222	1,493,222
Board-designated endowment funds:			
Funds held by the Community			
Foundation of Greater Fort Wayne Inc.	88,460	-	88,460
Other	545,819	-	545,819
	634,279	-	634,279
Total funds	<u>\$ 634,279</u>	<u>\$ 1,493,322</u>	<u>\$ 2,127,601</u>

Changes in endowment net assets for the year ended June 30, 2022 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets			
at beginning of year	\$ 913,975	\$ 1,493,322	\$ 2,407,297
Net investment return	(187,569)	-	(187,569)
Change in value of beneficial interest			
on funds held by the Community			
Foundation Greater Fort Wayne Inc.	(7,096)	-	(7,096)
	(194,665)	-	(194,665)
Other changes—			
Distribution of endowment			
net assets for expenditures	(85,031)	-	(85,031)
Endowment net assets at end of year	<u>\$ 634,279</u>	<u>\$ 1,493,322</u>	<u>\$ 2,127,601</u>

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**7. Endowment (continued)**

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
McMillen Foundation	\$ -	\$ 1,010,986	\$ 1,010,986
Other	-	482,336	482,336
	-	1,493,322	1,493,322
Board-designated endowment funds:			
Funds held by the Community			
Foundation of Greater Fort Wayne Inc.	95,556	-	95,556
Other	818,419	-	818,419
	913,975	-	913,975
Total funds	\$ 913,975	\$ 1,493,322	\$ 2,407,297

Changes in endowment net assets for the year ended June 30, 2021 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets			
at beginning of year	\$ 495,527	\$ 1,493,322	\$ 1,988,849
Net investment return	471,227	-	471,227
Change in value of beneficial interest			
on funds held by the Community			
Foundation Greater Fort Wayne Inc.	26,374	-	26,374
	497,601	-	497,601
Other changes–			
Distribution of endowment			
net assets for expenditures	(79,153)	-	(79,153)
Endowment net assets at end of year	\$ 913,975	\$ 1,493,322	\$ 2,407,297

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). McMillen Health has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022 and 2021, there were no deficiencies in donor-restricted endowment funds.



Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**7. Endowment (continued)**

*Investment and Spending Policies*

McMillen Health has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Pursuant to this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certain investment benchmark indices while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

McMillen Health's Board of Directors uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. This annual distribution is calculated at 4 percent of the 12 quarter rolling average on March 31 and is limited to the unrestricted portion of the endowment fund. During the years ended June 30, 2022 and 2021, the spending rate maximum was 4 percent. In establishing this policy, McMillen Health considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

During the years ended June 30, 2022 and 2021, the annual distribution was \$85,031 and \$79,153, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**8. Net Assets**

Net assets with donor restrictions are restricted for the following purposes or periods.

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Subject to specified purpose:		
Opioid use disorder app	\$ 55,000	\$ 35,275
Future program operations	19,416	16,595
Dental health education	20,687	12,025
Great Hall displays	9,329	-
Technology	-	5,220
Promises to give, the proceeds from which have been restricted by donors for–		
Opioid use disorder app	-	4,775
	<u>104,432</u>	<u>73,890</u>
Endowment funds that require the principal be invested and that earnings are subject to spending policy and appreciation for operating purposes	<u>1,493,322</u>	<u>1,493,322</u>
	<u><u>\$ 1,597,754</u></u>	<u><u>\$ 1,567,212</u></u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or by occurrence of the passage of time were \$154,658 in 2022 and \$85,062 in 2021.

**9. Debt Arrangements**

Pursuant to a revolving line of credit arrangement with a bank, McMillen Health may borrow up to \$200,000 subject to certain terms and conditions. This line of credit arrangement expires on October 9, 2023. The line of credit arrangement bears interest at the bank base rate plus .5 percent (5.25 percent at June 30, 2022), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at June 30, 2022 and 2021.

**10. Employee Retirement Plan**

McMillen Health sponsors a Section 403(b) plan. All employees are eligible to participate in the plan, which allows the maximum employee contribution permitted under the Internal Revenue Code. Effective August 1, 2017, McMillen Health began making matching contribution to the plan. McMillen Health's contributions to the plan were \$16,911 and \$18,107 for the years ended June 30, 2022 and 2021, respectively.

Harold W. McMillen Center for Health Education, Inc.

Notes to Financial Statements (continued)

**11. Related Party Transactions**

Certain members of the Board of Directors are employed by organizations that have paid admission fees to or provided services for McMillen Health. The fees received or paid for these services were based on customary and reasonable rates for such services.

**12. Subsequent Events**

Management has evaluated subsequent events through August 2, 2022, the date on which the financial statements were available to be issued.